

## Message Text

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60

ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 EA-11 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 OMB-01 OIC-04 DRC-01 /210 W

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R 051700Z DEC 73

FM USMISSION GENEVA

TO SECSTATE WASHDC 2847

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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EO 11652: N/A

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TAGS: ETRD, GATT

SUBJ: WP MEETING ON EC/NORWAY

REF: STATE 235748

SUMMARY: US CONCERN OVER INCONSISTENCY EC/NORWAY AGREEMENT WITH GATT ART. XXIV, AND PARTICULARLY DUE TO RESTRICTIVE RULES OF ORIGIN (R/O), SHARED BY SEVERAL DELS. WP POSTPONED COMPLETION OF WORK UNTIL JANUARY, IN ORDER AWAIT RESULTS GATT COUNCIL DECISION DECEMBER 19 ON US REQUEST FOR FULL WP ON RULES OF ORIGIN.  
END SUMMARY

1. DURING DECEMBER 4 MEETING WORKING PARTY ON EC/NORWAY AGREEMENT, US REP (MILLER) PRESENTED US VIEWS ON INCOMPATIBILITY OF EC/NORWAY AGREEMENT WITH GATT RULES. US SAID VIRTUAL EXCLUSION OF AGRICULTURAL SECTOR INCONSISTENT WITH ARTICLE XXIV:8(B) REQUIREMENT THAT BARRIERS TO TRADE IN "SUBSTANTIALLY ALL" PRODUCTS BE REMOVED, WHILE R/O'S VIOLATE ARTICLE XXIV:4 BY RAISING BARRIERS TO THIRD COUNTRY TRADE AND RESTRICTING INTRA-AREA TRADE, ARTICLE XXIV:5(B) BY IMPOSING REGULATIONS OF COMMERCE MORE RESTRICTIVE THAN PRIOR TO FORMATION AREA, ARTICLE XXIV:8(B) BY PREVENTING ACHIEVEMENT DUTY-FREE TRADE IN "SUBSTANTIALLY ALL" INDUSTRIAL PRODUCTS AND ARTICLE VII:1(C) BY COMPLICATING DOCUMENTATION. US REMINDED WP OF US REQUEST FOR GENERAL WP ON R/O, THAT WE EXPECT MATTER BE TAKEN UP AT COUNCIL DECEMBER 19; THAT IF THAT GENERAL WP CANNOT BE AGREED, WE EXPECT PURSUE FURTHER CONSIDERATION OF EC/NORWAY R/O IN THIS WP, WHICH THEREFORE COULD NOT YET END ITS WORK.

2. JAPAN SUPPORTED THESE POINTS AND ADDED IT CONSIDERED ART. XXIV:7(B) CRITERIA NOT MET FOR REASONABLE TIME TO COMPLETE FREE-TRADE AREA AND EXPRESSED CONCERN WITH CONTINUED PROLIFERATION FREE TRADE AREAS. JAPAN QUESTIONED WHY POSITIVE AND NEGATIVE EXCEPTIONS REQUIRED TO BASIC RULE THAT NON-ORIGIN PARTS AND MATERIALS MUST UNDERGO CHANGE IN BTN TARIFF HEADING, IF FINISHED PRODUCT TO OBTAIN ORIGIN STATUS; WHY POSITIVE LIST OF LIMITED OFFICIAL USE  
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ADDITIONAL REQUIREMENTS SO LONG AND NEGATIVE LIST SO SHORT; ASKED WHY FLAT PERCENTAGE COULD NOT BE USED IN ORIGIN EXCEPTIONS, INSTEAD OF PERCENTAGES VARYING FROM 5 TO 50 PERCENT. CANADA SUPPORTED US AND JAPAN STATEMENTS AND EXPRESSED CONCERN THAT RELATION BETWEEN DISPOSITION IN EC/NORWAY AGREEMENT'S SECTION 24-2 AND COMPENSATION IN SECTION 27-3 MAY MAKE PARTIES RELUCTANT LOWER MFN DUTIES IN MTN. JAPAN AND CANADA REITERATED SUPPORT FOR WP ON R/O.

3. BRAZIL NOTED OTHER WPS ON EC/EFTA AGREEMENTS UNABLE REACH FINAL DECISION ON WHETHER AGREEMENTS CONSISTENT

WITH GATT AND SAID THIS AGREEMENT PRESENTS SIMILAR PROBLEMS; NOTED PREFERENTIAL AGREEMENTS NOW INVOLVE ONE-THIRD OF WORLD TRADE, THAT A SET OF PRACTICES NOW BEING BUILT PARALLEL TO LETTER AND SPIRIT OF GATT; THIS TREND UNFORTUNATE ON EVE OF MTN. BRAZIL SAID AS LDC TRYING TO JOIN IN WORLD TRADE FLOWS, THEY ALARMED AT EUROPEAN TREND TO DISCRIMINATION, ALSO REPEATED AGREEMENTS WILL ERODE GSP BENEFITS FOR LDCS AND REITERATED SUPPORT FOR GENERAL WP ON R/O.

4. NORWAY SAID AGREEMENT IS TRADE-CREATING, COVERS 95 PERCENT OF NORWAY'S IMPORTS FROM EC AND THUS CLEARLY MEETS "SUBSTANTIALLY ALL" CRITERIA; SAID FIRST FOUR-YEAR PROCESS TARIFF ELIMINATION WILL COVER 80 PERCENT DUTY-FREE IMPORTS FROM EC; THIS IS SHORTER THAN EC AND EFTA INTEGRATION HAD BEEN ALTHOUGH ELIMINATION ON SOME PRODUCTS WILL TAKE 11 YEARS. NORWAY ARGUES FORMATION EFTA REGIONAL TRADING BLOC FACILITATED FREER WORLD TRADE, SINCE OPENING NORWEGIAN MARKET TO PARTNERS HAD WROUGHT STRUCTURAL ECONOMIC CHANGES WHICH MADE MFN REDUCTIONS POSSIBLE. THIS AGREEMENT WILL HAVE SIMILAR BENEFITS.

5. US, REFERRING TO QS AND AS (L/3949, 8 NOV, QUESTION4), ASKED WHY FOUR PRODUCTS EXCLUDED IF AGRICULTURE NOT IN AGREEMENT, EC SAID THESE FOUR PRODUCTS ARE AGRICULTURAL IN THEIR VIEW EVEN THOUGH THEY IN BTN CHAPERS 25-99; THIS IS WHY THEY APPEAR IN ANNEX AS EXCEPTIONS.

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6. IN RESPONSE BRAZIL CONCERN, EC AND NORWAY SAID THEY WOULD ENDEAVOR IN MTN EITHER AVOID OR ALLEVIATE EROSION OF GSP.

7. JAPAN ASKED WHETHER SAFEGUARDS WILL BE DISCRIMINATORY. EC SAID SAFEQUARDS NOT DISCRIMINATORY UNLESS GATT ART. XIX USED.

8. US ASKED REMAINING QUESTIONS PARA 5 REFTEL ON R/O'S. EC DENIED US ARGUMENT THAT EC-NORWAY R/O'S SUBSTANTIALLY MORE RESTRICTIVE THAN PREVIOUS EFTA RULES, BUT DID NOT GIVE ANY SPECIFIC SUPPORTING ARGUMENTS. US PRESSED CORN EXAMPLE, ARGUING THAT SPECIAL EXCEPTION WHICH GIVES "ORIGIN" STATUS TO PROCESSED FOODS MADE FROM ARGENTINE CORN BUT NOT FROM US CORN IS OBVIOUSLY DISCRIMINATORY. EC ARGUED CASE THEORETICAL SINCE US CORN NOT USED IN PROCESSING COVERED BY THIS RULE, TO WHICH US RESPONDED ACTUAL LOSS HAS ALREADY BEEN REPORTED. ON OTHER QUESTIONS, EC DECLINED EXPLAIN ANY OF THE "OBJECTIVE CRITERIA" ON WHICH SPECIAL RULES ARE BASED.

EC-NORWAY ARGUES INTERNAL MECHANISMS EXIST FOR CHANGES IN R/O'S, AND NON-MEMBERS SHOULD BRING CASES OF INJURY TO PARTIES FOR CONSIDERATION.

9. COMMITTEE DID NOT END DELIBERATIONS, PENDING OUTCOME OF DECEMBER 19 COUNCIL DECISION ON US REQUEST FOR SEPARATE WP ON R/O. COUNCIL DECISION WILL BE "TAKEN INTO CONSIDERATION" AT NEXT MEETING OF EC/NORWAY WP, PERHAPS IN JANUARY, AT WHICH TIME MEMBERS CAN ASK ADDITIONAL QUESTIONS.

10. COMMENTS:

A) AT LUNCH WITH GIFFONI (PHONETIC), EC R/O'S EXPERT, US DEL PRESENTED ARGUMENTS FOR SPECIAL GATT WP ON R/O'S. GIFFONI INDICATED NO RECEPTIVITY TO THIS ON GROUNDS OF IMMENSE WORK THAT WOULD BE REQUIRED IN SUCH GENERAL WP, INEVITABILITY OF STANDOFF ON DEBATE OF GENERAL PRINCIPLES, AND POTENTIAL TROUBLEMAKING BY LDC'S IN SUCH WP (AND DUPLICATION OF WORK ON R/O'S NOW BEING DONE IN UNCTAD).

B) GABRIELSON, SWEDISH R/O'S EXPERT, ALSO ATTENDED  
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LUNCH. WHILE ALSO PESSIMISTIC OVER PROSPECTS FOR GENERAL WP, GABRIELSON EXPRESSED UNDERSTANDING FOR US HESITATION RELY ON BILATERAL APPROACHES, NOTING DIFFICULTIES AND TIME LAGS EVEN EFTA COUNTRIES HAVE IN SEEKING CHANGES TO R/O'S IN BRUSSELS. ON ANOTHER POINT, WHEN PRESSED, GABRIELSON ADMITTED EFTA COUNTRIES HAD TO ACCEPT EC SYSTEM OF R/O'S SINCE EC WAS UNWILLING TO CONSIDER MORE LIBERAL EFTA SYSTEM AS BASIS FOR DISCUSSION.

C) ABBOTT, EC REP AT NORWAY WP, ALSO PRESENTED ARGUMENTS IN CORRIDOR SIMILAR TO THOSE PRESENTED BY GIFFONI AGAINST SPECIAL GATT WP ON R/O'S. ABBOTT'S GENERAL ATTITUDE, HOWEVER, WAS COOPERATIVE AND FORTHCOMING, AND ABBOTT OF COURSE ACCEPTED DELAY UNTIL JANUARY IN COMPLETION OF WP WORK. BASSIN

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BONN  
BRASILIA  
BRUSSELS  
EC BRUSSELS UNN  
COPENHAGEN  
DUBLIN

THE HAGUE  
HELSINKI  
LISBON  
LONDON  
LUXEMBOURG  
OSLO  
OTTAWA  
PARIS  
REYKJAVIK  
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